

The Economic Case

Last November, after years of negotiation, the United States concluded a comprehensive trade agreement that secures one-way concessions for American farmers and businesses from China. The Agreement outlines the terms of China's accession to the World Trade Organization (WTO) and opens China to the full-range of U.S. goods, services, and agricultural products. It ensures that China will play by the rules, strengthens our ability to enforce Chinese commitments, and includes protections for U.S. workers and farmers against potential unfair trade practices from China. All we must do to reap these benefits is to grant to China permanently what it has had for twenty consecutive years—Normal Trade Relations.

Regardless of the outcome of the Congressional vote on permanent Normal Trade Relations (PNTR) for China, China will join the WTO. The question before the Congress is whether American farmers, ranchers, workers, and businesses will benefit from the deal that we negotiated.

CHINA'S ENTRY TO THE WTO WILL SLASH BARRIERS TO THE SALE OF AMERICAN GOODS AND SERVICES IN THE WORLD'S MOST POPULOUS COUNTRY.

China's economy is already among the world's largest and, for the past twenty years, has expanded at a phenomenal annual rate of nearly 10 percent. During this period, U.S. exports to China have grown from negligible levels to over \$14 billion each year.

REFUSAL TO PASS PNTR WOULD PUT AMERICAN FARMERS, MANUFACTURERS, AND WORKERS AT A DISADVANTAGE.

The United States must grant China PNTR or lose the full range of market access benefits that we negotiated, including rights to enforce China's commitments through the WTO dispute settlement process and special protections to shield American workers from unfair import surges from China.

CHINA MADE UNILATERAL CONCESSIONS.

We would simply maintain our current market access policies. China agreed to significant one-way, market-opening provisions in virtually every economic sector, including agriculture, services, technology, telecommunications, and manufactured goods.

Agriculture: Agriculture tariffs will be cut by more than half on priority products. China will significantly expand export opportunities for bulk commodities such as wheat, corn, and rice, and it will eliminate trade-distorting export subsidies

Industrial Goods: Industrial tariffs will be slashed. Industrial tariffs on U.S. products will fall from an average of 24.6 percent in 1997 to an average of 9.4 percent by 2005.

New Markets for Information Technology: China will eliminate tariffs on computers, semiconductors, and related information technology products by 2005.

Broad New Access for American Services Such as Telecommunications, Insurance, and Banking: For the first time, China will open its telecommunications sector and significantly expand investment, and other activities, for financial services firms. It will also greatly increase the opportunities open to professional services such as law firms, management consulting, accountants, and environmental services.

Right to Import and Distribute: At present, China severely restricts trading rights (the right to import and export) and the ability to own and operate distribution services. Under the Agreement, over a three-year period,

China will phase in trading rights and open-up sectors related to distribution services, such as repair and maintenance, warehousing, trucking, and air courier services. Rather than being forced to set up factories in China to sell products through Chinese partners, trading rights and distribution services will allow our businesses to export to China from here at home, and to have their own distribution networks in China.

THE AGREEMENT STRENGTHENS OUR ABILITY TO ENSURE FAIR TRADE AND TO PROTECT U.S. AGRICULTURAL AND MANUFACTURING BASE FROM IMPORT SURGES, UNFAIR PRICING, AND ABUSIVE INVESTMENT PRACTICES SUCH AS OFFSETS OR FORCED TECHNOLOGY TRANSFER.

No agreement on WTO accession has ever contained stronger measures to strengthen guarantees of fair trade and to address practices that distort trade and investment. This Agreement addresses those practices through:

A China-Specific Safeguard: In addition to existing global safeguard provisions, for 12 years after accession, China has agreed to a country-specific safeguard that is stronger, and offers more targeted relief, than that provided under existing U.S. law.

Strong Anti-Dumping Protections: The Agreement recognizes our right to employ special methods, designed for non-market economies, to counteract dumping of Chinese products. This provision will last for 15 years after China's accession.

Elimination of Practices That Can Cost American Jobs and Force the Unfair Transfer of U.S. Technology to China: For the first time, Americans will have the means to combat measures such as forced technology transfer, mandated offsets, local content requirements, and other unfair practices that drain jobs and technology away from the U.S. This will enable us to more effectively export to China from home rather than seeing companies forced to set up factories in China.

UNDER WTO RULES THE U.S. COULD CONTINUE TO BLOCK IMPORTS OF GOODS MADE WITH PRISON LABOR, TO MAINTAIN OUR EXPORT CONTROL POLICIES, TO USE OUR TRADE LAWS, AND TO WITHDRAW BENEFITS INCLUDING NTR IN A NATIONAL SECURITY EMERGENCY.



LAURA D'ANDREA TYSON:

"Failing to give PNTR to China amounts to a unilateral giveaway to America's competitors...if Congress denies PNTR status to China, it also denies the U.S. the benefits of the concessions made by China to win WTO membership. These concessions will automatically apply to Europe, Japan, and all of China's new WTO partners."

Business Week, May 1, 2000

PRESIDENT CLINTON:

"In the entire history of trade agreements, I don't believe there's ever been one this weighted in our favor... This vote by Congress is on an agreement that lowers no American trade barriers, lowers no American tariffs, grants no greater access to China to any part of the American economy—nothing, zip, zilch, nada, zero. On the other hand, Chinese tariffs will fall by more than half over five years in every sector... For the first time, American companies will be able to sell and distribute products in China without having to transfer technological know-how to Chinese firms, or put manufacturing facilities overseas. For the first time, China will agree to play by the same trading rules that we follow. Accordingly, the narrow, or broad, economic consequences are 100-0 in our favor." The Democratic Leadership Council, San Jose, California, April 3, 2000